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CHUCK HAGEL

P R E S S R E L E A S E



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Hagel: U.S. Needs an Energy Policy *Opposes Tapping Strategic Reserve*

Washington, D.C. — In a speech this morning on the Senate floor, U.S. Senator Chuck Hagel (R-NE) said the United States has drifted for eight years without an energy policy. America's increasing reliance on foreign oil, at the expense of domestic production, is the main reason we are vulnerable to the price fluctuations set by oil cartels such as the Organization of Petroleum Exporting Countries (OPEC).

Hagel also expressed his opposition to tapping the Strategic Petroleum Reserve. "The answer to our current situation is not, as Vice President Gore recommended yesterday, to tap into the strategic reserve. These 570 million barrels were set aside to deal with severe disruptions in oil supply caused by war or other national emergencies. The strategic reserve was not created to make up eight years of inattention from the Clinton/Gore Administration or to make up for the detrimental impact their policies have had on domestic production. The Vice President himself acknowledged this in February when he said it would be a 'bad idea' to tap into the Strategic Reserve.

"Furthermore, opening up the strategic reserve will not do anything to address a shortage of home heating oil. The crude oil in the strategic reserve would need to be refined into heating oil. Our refineries are already running at full capacity, they cannot produce refined product any faster. Now, if we still had the 36 refineries that have closed during the Clinton/Gore administration – then we would be able to refine the extra oil from the strategic reserve. But it does nothing to help our current situation. This is a bad, short-sighted policy," Hagel said.

Hagel also discussed the impact of high energy prices on our economy and national security as well as the geopolitical ramifications. The following are excerpts from his floor remarks: "Oil prices have more than tripled in less than two years, to nearly \$37 a barrel this week – the highest price since the buildup to the Persian Gulf War in November of 1990. This winter, consumers are likely to feel an even stronger bite when they heat their homes. Natural gas and home heating oil prices are also on the rise.

High energy costs drive up inflation. The Consumer Price Index has risen 3.4 percent in the last year, with energy price increases responsible for nearly one-quarter of this rise. They also sap the strength of our economy. When consumers are forced to spend more on energy, they

spend less on other items. Money that would be spent on new cars or other consumer goods, is instead placed in the coffers of the nations that produce the almost 60 percent of imported crude oil used in this country.

An analysis by the Heritage Foundation has found that high oil prices will cost the average American family of four more than \$1300, decrease consumer spending by nearly \$80 million and cost our economy almost 500,000 jobs over the next two years.

The response to the current high oil prices by the Clinton Administration has been to try and cajole oil exporting nations to increase production in an effort to lower prices. U.S. Secretary of Energy Bill Richardson has said regarding the pressure on OPEC nations, "Our quiet diplomacy is working." What diplomacy? Crude oil is at record high prices. We import more oil than we did during the energy crisis in the 1970s, spending more than \$300 million a day. Petroleum accounts for one-third of the U.S. total trade deficit. Who are we kidding?

Our reliance on foreign oil gives additional leverage to individual oil exporting nations. Iraq is the fastest growing source of U.S. oil imports. What if Saddam Hussein were to decide to bully the world market by turning off his tap, which currently pumps 2.3 million barrels a day onto the global market. On Monday, he warned that OPEC nations were bowing to pressure from 'superpowers' in agreeing to increase production in an attempt to lower prices. 'The superpowers will fasten their grip on oil producing countries,' he said as he renewed claims that Kuwait is stealing Iraq's oil. This is a very dangerous development.

How did the United States get in this precarious position? We bumbled into it because we weren't paying attention. The Clinton/Gore Administration has drifted through the last eight years without an energy policy, content to sit back and enjoy a good economy, and take credit for that economy, but unwilling to prepare our nation for the challenges ahead and make the hard choices necessary for energy independence.

The lack of a federal energy policy for the last eight years has worked to decrease U.S. oil production, making American consumers more vulnerable to the volatility of prices set by oil cartels such as OPEC. The policies of the Clinton/Gore Administration have actually served to discourage and at some points completely shut off domestic oil and natural gas production. While oil consumption in the United States has risen by 14 percent since 1992, U.S. crude oil production has declined by 17 percent. Increased government regulations have affected investment in the oil industry. Thirty-six oil refineries have been closed in past eight years, and no new major oil refinery has been built in the last 25 years.

What can we do to address this problem? Both the next President and Congress must pursue a comprehensive energy policy that decreases our reliance on foreign oil by increasing the safe and environmentally sound production of our domestic oil and gas resources, and by developing a more diversified supply of energy sources."

